



THE PRUDENTIAL ASSURANCE COMPANY LIMITED

*One Hundred and Sixteenth Annual Report
and Statement of Accounts*

YEAR ENDED 31 DECEMBER 1964

P00020043

CONTENTS

Notice of Meeting	...	...	...	...	...	...	...	...	...	Page	3
Chairman's Statement	...	...	...	...	...	...	...	...	...		4-8
Report of the Directors	...	...	...	...	...	...	...	...	...		9-13
Bonus declarations	...	...	...	...	...	...	...	...	...		12
Dividends declared	...	...	...	...	...	...	...	...	...		13
Revenue Accounts	...	...	...	...	...	...	...	...	...		14-18
Profit and Loss Account (Life branches) and Shareholders' Accounts (A Shares)	...	...	...	...	...	...	...	...	...		19
Profit and Loss Account (General branch) and Shareholders' Account (General branch)	...	...	...	...	...	...	...	...	...		20
Contingency Funds Accounts	...	...	...	...	...	...	...	...	...		21
Balance Sheet	...	...	...	...	...	...	...	...	...		22-23
Certificates and Notes to the Accounts	...	...	...	...	...	...	...	...	...		24-25
Accounts of The Prudential Insurance Company of Great Britain located in New York	...	...	...	...	...	...	...	...	...		26
Auditors' Report	...	...	...	...	...	...	...	...	...		27
Chief Actuary's Valuation Report	...	...	...	...	...	...	...	...	...		28-32



THE PRUDENTIAL ASSURANCE COMPANY LIMITED

Directors :

Sir Frank William Morgan, M.C., Chairman
Sir John Serocold Paget Mellor, Bt., Deputy Chairman
John Anthony Tristram Barstow, D.S.O., T.D., D.L.
The Rt. Hon. Lord Coleraine, P.C.
Walter Frank Gardner, C.B.E., F.I.A.
Sir John Nicholson Hogg, T.D.
Maurice Petherick
Charles William Allan Roy
Desmond Arthur Reid

General Manager :

K. A. Usherwood, C.B.E., M.A., F.I.A.

Joint Secretaries and Investment Managers :

H. G. Clarke, B.Sc., F.I.A.
A. F. Murray, M.A., F.I.A.

Deputy General Managers :

W. G. Haslam, D.F.C.
R. H. Owen, F.I.A.

Chief Actuary :

F. M. Redington, M.A., F.I.A.

Deputy Investment Managers :

E. P. Hatchett, F.I.A.
P. E. Moody, F.I.A.
L. C. Polke, A.I.A.

Assistant General Managers :

C. D. Clark
G. W. Eley, F.C.I.I.
A. J. Males, F.I.A.
H. H. New, F.C.I.I.
F. Pearson

Deputy Actuaries :

A. S. Clarke, F.I.A.
J. Edey, F.I.A.
R. S. Skerman, F.I.A.
S. S. Townsend, F.I.A.

Assistant Secretaries :

R. J. Males, A.A.C.C.A.
W. R. Marshall

Agency Managers :

R. Armstrong
E. W. Cunnah

Group Pensions Manager :

J. G. Haslam, F.I.A.

Chief Surveyor :

M. R. Dunnett, F.R.I.C.S.

Chief Controller :

J. L. Maxted, LL.M.

Deputy Group Pensions Manager :

F. A. Lewis, F.I.A.

Deputy Chief Surveyor :

E. E. Chapman, M.B.E., F.R.I.C.S.

Manager—Industrial Branch

Administration :

D. S. Craigen, B.A.

Data Processing Manager :

G. A. Brown, T.D., F.I.A.

Senior Medical Officer :

*E. H. Hudson, M.A., M.B., B.Ch.,
F.R.C.P.*

Senior Solicitor :

P. B. Cockshutt

Marine Underwriter :

C. E. R. Taylor

General Manager for Australia and New Zealand :

S. C. Canfield, F.C.I.I.

General Manager for Canada :

H. D. McNairn, M.B.E., Q.C.

General Manager P00020045 for Southern Aj

G. E. Rumball, F.I.A.



THE PRUDENTIAL ASSURANCE COMPANY LIMITED

NOTICE IS HEREBY GIVEN

that the ANNUAL GENERAL MEETING of this Company will be held at the Registered Office of the Company, No. 142, HOLBORN BARS, LONDON, E.C.1 on THURSDAY, the 13th May, 1965, at 12.15 p.m. for the following purposes:

ORDINARY BUSINESS

1

To receive the Report of the Directors and Statement of Accounts for the year ended 31st December, 1964

2

To re-elect and elect Directors

3

To fix the remuneration of the Auditors

4

To transact any other business proper to be transacted at such Meeting

SPECIAL BUSINESS

To consider and, if thought fit, pass the following Resolution:

That Sir Frank William Morgan, M.C. be appointed President of the Company in accordance with Article 59 of the Company's Articles of Association.

In connection with the re-election of Directors special notice has been given to the Company, pursuant to the Companies Act, 1948, that a separate resolution will be moved proposing the re-election of Mr. Maurice Petherick who retires by rotation and will be aged 70 at the date of the Meeting.

By order of the Board of Directors,

142, Holborn Bars, London, E.C.1.
20th April, 1965.

H. G. CLARKE,
A. F. MURRAY,
Joint Secretaries.

PROXIES

A member entitled to attend and vote at the above mentioned Meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.

The attention of those shareholders, who are members of the Company's Field Staff, is drawn to Section 33 (2) of the Industrial Assurance Act 1923 which provides that no collector or superintendent shall be present at any meeting of an Industrial Assurance Company.

3

P00020046

1357-004

CHAIRMAN'S STATEMENT

Since my Statement of a year ago the death has occurred of two of our Directors, Sir James Grigg and Mr. Rupert Thorp. A third loss I must also mention is that of Sir Eric Bowyer, whom we had hoped to welcome to the Board last May, but who died before the Annual General Meeting.

I had the opportunity to pay tribute to the services of Sir James Grigg at the Annual General Meeting last year and I will not add to the remarks I then made, other than to say that time does not weaken the sense of loss we feel for a friend and a great man.

Mr. Rupert Thorp served the Company with distinction for nearly 50 years. After early years at Chief Office he served in Canada from 1926 to 1937, where he rose to the position of Fire Manager. In 1937 he returned to Chief Office, was appointed an Assistant Manager in 1942 and three years later a Deputy General Manager. On his retirement in 1960 he was appointed to the Board, where his knowledge and experience of the Company's business were of the greatest value. In a wider field he had always been keenly interested in the work of the Insurance Institutes and had in his time been President of the Insurance Institutes of Montreal and of London, and of the Chartered Insurance Institute. He was a man of many endearing characteristics and he will be greatly missed not only by his colleagues on the Board but by the very many with whom he came into contact in the world of insurance.

The Directors are recommending the election to the Board of Mr. Leslie Brown, who retired last year from the position of Secretary and Chief Investment Manager, Sir Harold Caccia, G.C.M.G., G.C.V.O., on his retirement from the Diplomatic Service and Mr. R. E. Montgomery, who was a Deputy General Manager at the time of his retirement at the end of 1963.

The Report and Accounts for the year 1964 show further expansion in all branches of the Company's business. The new sums assured of £750 millions in the two Life branches greatly exceeded the 1963 figure of £600 millions which was itself a record. The large increase of over £100 millions in the funds of the Life branches shows not only the progress of our business but the contribution to total personal savings made by means of Prudential policies. An increase of over £3 millions in the premium income of the General Branch was a further feature of our 1964 results and was accompanied by a more favourable underwriting experience.

INDUSTRIAL BRANCH

The new business was a record and is evidence of the continuing part played by this Branch in meeting the needs of those who value the regular collection of premiums at their homes by the man from the Prudential.

A noteworthy feature of recent years has been a widening demand for new policies for amounts well above the range traditionally associated with industrial assurance. Often this demand can be met by an ordinary life policy. This does not, however, satisfy the needs of those who require more ambitious life assurance protection, but for whom the practice of long term thrift is difficult without regular premium collection at the home.

Over the years there has been a progressive narrowing of the gap between industrial and ordinary life assurance and we are now making important changes which we hope will prove to be a major factor in bringing the two branches of life assurance still closer together. We have prepared a new prospectus for the Industrial Branch which incorporates a number of advances. The most significant is the introduction of differential rates of benefit according to size of premium. The first 15 shillings of monthly premium will, as now, secure a benefit at a uniform rate per shilling premium, but each shilling of premium above 15 shillings will secure a higher rate of benefit. The principle underlying this change is that while some of the expenses of life assurance policies are related to the amount of the premium or sum assured, there are some which are the same whatever the size of the policy. The effect of the change is that the policyholder who is taking out an assurance at a sizeable premium will have the benefit of life assurance on very favourable terms, combined with the personal service provided by regular premium collection at the home.

We have at the same time taken the opportunity to revise other aspects of our Industrial Branch prospectus. The new premium rates show a small overall improvement, but a substantial improvement has been made in the case of whole life and long term endowment assurances, due particularly to more favourable mortality experience. We are also extending some measure of improvement in benefits to policies issued in recent years. We shall for the first time be issuing policies with family income benefits which have been such a marked feature in the recent progress of the Ordinary Branch. We believe there is a need for this class of policy in the Industrial Branch.

A final comment on this reshaping of the Industrial Branch is that we are encouraging our staff to place more emphasis on policies for longer terms. At present a large proportion of new endowment assurances is for a 15 year term, the shortest now available. While there is a place for the short term policy, the longer term policy is better suited to the needs of many, providing as it does greater life assurance cover per unit of premium.

Taking all the changes together we believe that the new prospectus will prove to be a significant event in the history of industrial assurance. P00020047

ORDINARY BRANCH

Both at home and overseas new assurances and annuities were a record for the Company; the combined figures are shown on page 14.

In the United Kingdom 170,000 individual policies and contracts were issued for sums assured of £370 millions and annuities of £1 million per annum. In addition, there were new sums assured of £67 millions and annuities of £17 millions per annum under group contracts. The total new premium income from our home business was over £14½ millions, an increase of £1¼ millions on the previous year. I commented last year on the value of family protection by means of our income benefit policies and there has been a further growth in this class of assurance. The home new business figures included 22,000 such policies under which the initial sums assured in respect of income benefits amounted to £170 millions. The income protection obtained under these policies averaged £7 10s. a week for the next 20 years.

In the Overseas branches the increased rate of expansion, to which I referred last year, continued in 1964. New sums assured were £178 millions and the new premium income of £4½ millions was 15 per cent more than in the previous year. Of this new premium income £1½ millions was secured in Southern Africa, over £1¼ millions in Australia and New Zealand, and nearly £1¼ millions in Canada. For each of these territories the figure is a record, and in Southern Africa the new premium income has doubled in the last three years—an outstanding achievement.

The total sums assured in force, including bonuses, in the Ordinary Branch now exceeds £3,000 millions. The first one thousand million was reached in 1954, the second in 1961 and now the third in 1964.

PENSION SCHEME BUSINESS

For some years now I have commented on changes in National Pensions or on plans for such changes. We have never opposed these developments but it is unfortunately true that the uncertainty created by possible changes is a serious obstacle to the efforts of those who are pursuing similar objectives in the private sector. It is surely necessary by now that a pattern should be laid down to enable both the State and the private sector, each in its own way, to get on with the job of making provision for old age. We believe that, given goodwill, this is possible and I would stress its importance and urgency. Though progress has not been unfavourable, the development of occupational pension provision throughout the private sector would undoubtedly have been more rapid if uncertainty about the State scheme had been removed.

The results of the year's work show that there has been no loss of confidence in the Company by the many employers with whom we have already arranged pension schemes. Perhaps for the reasons mentioned, the introduction of new schemes has been slow for the past two or three years, but there has been some increase in new business in recent months.

A source of some encouragement is that, although by far the greatest part of the premium income derived from group business is related to the provision of retirement pensions, there has been a growing awareness of the many ancillary benefits, particularly death benefits, whether as lump sums or as widows' and orphans' pensions, that can be provided. It is, after all, our basic function to assure against the risk of death, and I hope that we may see an even more rapid growth of group schemes providing cover for dependants.

One of the topical aspects of pensions is the preservation of pension rights on change of employment. There has never been any difficulty about this as far as the insurer is concerned. We have for some years drawn the attention of employers who are establishing pension schemes with us to this aspect and we now have many schemes which grant varying degrees of preserved pension rights on termination of service before retirement. However, there is still an understandable reluctance on the part of many employers to take the lead in providing benefits for employees leaving their service while there is so little reciprocal provision for those entering it.

BONUS DECLARATIONS

Full details of the bonus declarations are set out in the Directors' Report and the Valuation Report of the Chief Actuary. The rates of normal reversionary bonus for assurances in the United Kingdom are maintained unchanged. There are increases in the group pensions bonus in the United Kingdom and in some of the bonuses for overseas territories.

We have made a further extension of the final bonuses on participating assurance policies issued in the United Kingdom which become claims by death or maturity in the next twelve months. The rates of such bonuses have again been increased and the range of policies entitled to participate has been further extended. Prior to 1963 we declared these final bonuses from the increased dividends received on our holdings of ordinary shares in this country, but in 1963 we extended this policy by augmenting the distributable surplus by contributions from the improved margins in the values of these investments. To effect this, sums were transferred from the Investment reserve accounts in each

CHAIRMAN'S STATEMENT (CONTINUED)

Life branch. Transfers have similarly been made in 1964 but of larger sums amounting to £2,900,000 in the Industrial Branch and £1,250,000 in the Ordinary Branch, enabling the final bonuses to be increased. Although there can be no guarantee, we expect that we shall be able to maintain final bonuses at the new levels on claims arising in the future on participating policies issued in the United Kingdom prior to 1964.

This is the tenth year in which we have made allocations out of surplus for final bonuses, and the total amount already paid to policyholders from past allocations is close on £30 millions. This is a significant contribution indeed to the benefits received by our policyholders.

GENERAL BRANCH

In the General Branch I am glad to report a record rate of expansion and a return to a profitable underwriting account. The combined premium income at home and overseas, including that of our American subsidiary, exceeded £28 millions, an increase of £3 millions. The home figures, assisted partly by the increases in Fire and Motor premium rates to which I made reference last year, showed a notable advance of £2,300,000.

The overall underwriting results show a profit of £347,000 as against an underwriting loss of £438,000 for 1963 and a profit of £95,000 in 1962. While this is a more satisfactory picture, the 1964 profit amounts to less than 1½ per cent of the premium income and indicates the small margin on which we are operating.

Fire wastage in the United Kingdom mounts higher and higher and continues to give cause for grave concern. Further adjustments in rates for commercial and trade risks have recently been announced and these should help us to maintain a profitable home Fire account. Fortunately the adverse weather conditions of 1963 were not repeated last year, although there were some parts of the country where conditions were severe and where our prompt service gave quick financial relief.

A continuing feature of our overseas fire business is the unfavourable experience on the continent of Europe. Standards of fire precaution would not appear to have kept pace with industrial development in recent years, more particularly in countries within the Common Market. In common with other insurers we have continued to incur underwriting losses and, although in all countries strenuous efforts are being made to bring premium rates to more realistic levels, it is not easy to achieve a quick return to a profitable position.

We have once again had satisfactory underwriting results for Sickness and Accident insurance, both at home and overseas.

In the Motor account, home business showed a modest underwriting profit but regrettably business overseas again showed a loss. In Canada, we are not yet back to a profitable position, but we are taking further steps to improve the situation. Elsewhere, in many countries, motor rates are subject to government approval and difficulty is being experienced in securing the necessary permission to adjust private car premium rates to reflect the increasing frequency and severity of accidents. Those who raise objections against increases in motor rates should realise that competition is a fully adequate safeguard against the charging of excessive premiums.

In the United States difficult conditions persisted and our subsidiary company, whose figures appear separately in the accounts, recorded an underwriting loss, but the strength of its overall financial position is fully maintained.

The Marine and Aviation account has again produced an underwriting profit. The sum of £125,000, of which £58,000 is required for taxation, has been released to the General Branch Profit and Loss account.

Gross interest earnings in the General Branch have increased to £1,362,000, which, together with the underwriting surplus of £347,000, produced a net surplus, after taxation, of £824,000 compared with £443,000 in the preceding year.

DIVIDENDS

A final dividend of 5.75d. free of income tax has been declared on the A shares. Together with the interim dividend paid in November 1964 this represents a total dividend of 9.5d. for the year. On the basis of the reorganised A share capital the dividend paid in respect of 1963 was 8.75d.

P00020049

The dividend free of income tax on the B shares is 5.2d. On the basis of the reorganised B share capital paid in respect of 1963 was 4.8d. The dividends to shareholders derived from the General Branch are again well covered by the interest earnings of the General Branch after deduction of the relevant taxes.

As stated at the time of change of Articles of Association a year ago it is hoped to declare an interim dividend on the B shares when circumstances permit. Such a dividend can be paid only out of amounts standing in the Shareholders' Account which will be reimbursed from the surplus of the year in respect of which an interim dividend has been paid. For this reason it is necessary to augment the amount carried forward in the Shareholders' Account and we have accordingly transferred to that account almost the whole of the net surplus of the General Branch. This will enable the Directors to declare an interim dividend if and when they deem it appropriate.

INVESTMENTS

During 1964 the increase in our funds exceeded £117 millions, and, including the proceeds of sales, maturities and other miscellaneous items we actually invested over £150 millions during the year, an average of nearly £3 millions each week. Our policy for the investment of these monies had to be formulated against a background of especially uncertain conditions. The political situation was a major cause of such uncertainty, first as to the timing of the general election, then as to the result and finally while the policies of the new government were being announced and studied. At the close of the year the country was faced not only with severe balance of payments difficulties but with complications arising from the prospect of a major change in the basis of corporate taxation. Despite the many uncertainties, however, there were certain features that were not unfavourable. The yields obtainable on fixed interest securities remained high during the whole year and there were many attractive opportunities for investment in this field. The level of production in the United Kingdom economy showed some improvement and the results of public companies were, on the whole, good both in regard to profits and dividends.

Against this background, our investment of £154 millions, which includes £23 millions in respect of our overseas branches, was made mainly in the following groups:— £8 millions in securities of British Government and Corporation stocks, £8 millions in Government securities of overseas territories, £53 millions in debentures, £33 millions in ordinary shares, £24 millions in property and £24 millions in mortgages, of which half was loans for house purchase.

A substantial part of the large amount invested in debenture stocks is accounted for by commitments entered upon in earlier years to subscribe mortgage debenture finance on properties as they were completed and became fully let. Several of these commitments extend over the current year and some into future years.

As shareholders are already aware, it has been our practice for some years to invest a modest proportion of our funds in United States equities. We are satisfied that the economic prospects in that country justify this policy and in particular we are able to invest in certain types of security, such as public utilities, that are not available in the United Kingdom. In furtherance of this policy we raised last year a loan of U.S.\$20 millions, the proceeds of which have been invested in U.S. common stocks. This loan, which has no adverse effect on the United Kingdom's balance of payments, is included in "Loans from Overseas Bankers" in our Balance Sheet.

We sold ordinary shares during the year to a value of £9 millions, and allowing for this our holdings of ordinary shares other than in the United States have increased by £17 millions. This, of course, includes a substantial amount in respect of rights issues.

As in recent years, the yields obtainable on new ordinary shares of good quality were relatively low and this meant that the initial return on our new investments was less than the yield on the existing funds. Increases in ordinary dividends have, however, improved the total income arising from our existing investments, so that the overall yields on each of our main funds have again shown increases. The yield for 1964 on the Ordinary Branch fund, which includes the funds of our overseas branches, was £6 17s. 7d. per cent, an increase of 4s. 9d. per cent, and that on the Industrial Branch fund was £7 8s. 0d. per cent, an increase of 6s. 8d. per cent.

Three years ago I drew your attention to the Insurance Export Finance Company (of which we are the largest shareholder), set up to provide longer term export finance to a total of £150 millions. It has now been agreed that in future this type of finance is to be provided by the banks and in consequence no new demands will be made upon the Insurance Export Finance Company. Commitments have, however, already been entered into and these will call for substantial subscriptions during the next year or two. In referring to the new arrangements the President of the Board of Trade paid tribute to the insurance industry for the support it had given in the national interest.

RETIREMENTS

Mr. Leslie Brown retired at the end of 1964 from the position of Secretary and Chief Investment Manager after a distinguished career. He was appointed Joint Secretary at the early age of 40 and in 1955, on the retirement of his colleague, Mr. C. W. A. Ray, was appointed Secretary with the added title of Chief Investment Manager. His skill and experience in investment matters have been recognised in the financial world for many years, and his services have

CHAIRMAN'S STATEMENT (CONTINUED)

been called upon more than once in the national field. He served on the Company Law Committee set up in 1959 under the Chairmanship of Lord Jenkins to enquire into and to report on Company Law, and in 1961 he was invited to become Deputy Chairman of the Insurance Export Finance Company. Shareholders will have seen that the Directors are recommending that he be elected to the Board.

Mr. C. E. Puckridge, Deputy Secretary, Mr. R. P. Johnson, Agency Manager, and Dr. T. W. Preston, Principal Medical Officer, have also retired during the past year. With their long experience they have given very valuable service to the Company in their widely differing spheres of responsibility.

A P P O I N T M E N T S

The following appointments and promotions have been made in the past year: Mr. H. G. Clarke and Mr. A. F. Murray to be Joint Secretaries and Investment Managers, Mr. C. D. Clark to be an Assistant General Manager, Mr. E. W. Cunnah to be an Agency Manager and Dr. E. H. Hudson to be Senior Medical Officer.

As I am not seeking re-election to the Board of Directors at the Annual General Meeting in May, this will be my last Statement to the shareholders as Chairman of the Company. I hope shareholders will agree that the Statement makes very satisfactory reading.

There is nothing unusual in this of course; but, when a Company has attained the size of the Prudential, to maintain profitable growth at an undiminished rate becomes increasingly difficult as time goes by. Yet this has been the record of your Company for years past.

That it has been achieved is to my mind both notable and a great tribute to the efficiency and loyalty of the staff of all grades in the United Kingdom and in the territories overseas in which we operate. They have, of course, been most fortunate in their leader, the General Manager of this Company, of whose ability it is impossible for me to speak too highly.

I have every confidence that under the wise guidance of my successor, Sir John Mellor, and his fellow Directors, the Company will continue to grow and prosper.

F. W. MORGAN,
Chairman.

2nd April, 1965.



ANNUAL REPORT

Year ended 31st December 1964

The Directors submit their Report and Accounts for 1964.

The Balance sheet total of the Company's Assets is £1,473,088,907 as compared with £1,355,734,492 at 31st December, 1963.

The Income from all sources during 1964 was £287,437,959 as compared with £262,783,433 in 1963.

The Tables which follow summarise the operations of the Life and General branches during 1964.

BUSINESS IN FORCE 31st DECEMBER 1964

1963		1964	
UNITED KINGDOM	OVERSEAS	UNITED KINGDOM	OVERSEAS
£	£	£	£
ORDINARY BRANCH			
LIFE ASSURANCE BUSINESS			
1,719,473,777	939,105,903	2,033,177,976	1,054,490,323
44,098,947	20,397,450	48,053,127	22,381,976
DEFERRED AND CONTINGENT ANNUITIES			
90,197,631	13,067,926	103,299,911	15,423,597
20,646,503	3,006,546	22,467,657	3,352,226
IMMEDIATE ANNUITIES			
4,631,124	398,454	5,489,838	470,996
INDUSTRIAL BRANCH			
1,404,857,793	—	1,461,649,557	—
66,892,373	—	69,679,465	—

GENERAL BRANCH

14,969,754	7,546,008	Premium Income	17,301,743	8,386,697
------------	-----------	-----------------------	------------	-----------

The General branch figures do not include the premiums of £3,263,943 (£3,315,108 for 1963) written by the Company's American subsidiary, The Prudential Insurance Company of Great Britain, located in New York, the accounts of which appear on page 26.

SUMMARY OF INCOME AND OUTGO

1963		1964		1963	1964
ORDINARY BRANCH £	INDUSTRIAL BRANCH £	ORDINARY BRANCH £	INDUSTRIAL BRANCH £	£	£
LIFE BRANCHES		LIFE BRANCHES		GENERAL BRANCH	
INCOME		INCOME		UNDERWRITING INCOME AND OUTGO	
89,229,333	65,072,844	97,307,102	67,761,236	22,590,021	25,765,577
3,179,877	—	3,700,267	—	106,683	109,114
43,324,709	37,418,248	49,620,785	41,192,216	<u>22,696,704</u>	TOTAL INCOME ... 25,874,691
13,937	—	—	—		
<u>135,747,856</u>	<u>102,491,092</u>	<u>150,628,154</u>	<u>108,953,452</u>	13,098,876	
OUTGO		OUTGO		OUTGO	
40,979,355	50,809,537	43,967,681	50,924,173	87,227	13,873,499
4,516,898	—	5,410,219	—	9,338,059	89,362
14,876,033	19,873,143	16,318,008	20,154,939	88,881	10,250,488
7,079,659	6,672,575	7,989,642	8,611,687	<u>22,613,043</u>	88,031
<u>67,451,945</u>	<u>77,355,255</u>	<u>73,685,550</u>	<u>79,690,799</u>	83,661	TOTAL OUTGO ... 24,301,380
EXCESS OF INCOME OVER OUTGO		EXCESS OF INCOME OVER OUTGO		EXCESS OF INCOME OVER OUTGO	
68,295,911	25,135,837	76,942,604	29,262,653	522,054	1,573,311
750,000	1,700,000	1,250,000	2,900,000	<u>—438,393</u>	<i>Deduct</i>
69,045,911	26,835,837	78,192,604	32,162,653	1,227,580	Provision for increase in liabilities to policyholders ... 1,226,668
38,756,444	798,156	44,067,702	4,445,909	789,187	GROSS UNDERWRITING SURPLUS ... 346,643
30,289,467	26,037,681	34,124,902	27,716,744	18,004	INVESTMENT INCOME
1,136,180	1,949,087	1,185,768	1,900,305	807,191	Investment income other than that allocated to long term contracts ... 1,361,831
31,425,647	27,986,768	35,310,670	29,617,049	364,000	GROSS SURPLUS
1,185,768	1,900,305	1,107,612	1,932,332	443,191	<i>Add</i>
30,239,879	26,086,463	34,203,058	27,684,717	543,191	Compensation in respect of Egyptian business ... —
13,937	—	—	—	543,191	1,708,474
<u>£30,225,942</u>	<u>£26,086,463</u>	<u>£34,203,058</u>	<u>£27,684,717</u>	231,229	<i>Deduct</i>
BALANCE OF SURPLUS FOR DISTRIBUTION		BALANCE OF SURPLUS FOR DISTRIBUTION		NET SURPLUS FOR THE YEAR	
Appropriated as follows:		Appropriated as follows:		<i>Add</i>	
28,345,959	24,463,946	32,075,628	25,962,727	100,000	Transfer from Additional reserve fund ... —
1,879,983	1,622,517	2,127,430	1,721,990	543,191	824,474
<u>£3,502,500</u>		<u>£3,849,420</u>		774,420	824,474
To Policyholders' bonuses 93.8% (same in 1963) in each branch		To Policyholders' bonuses 93.8% (same in 1963) in each branch		<i>Deduct</i>	
To Profit and loss account for Shareholders 6.2% (same in 1963) in each branch		To Profit and loss account for Shareholders 6.2% (same in 1963) in each branch		Surplus carried forward ... 14,474	
To Shareholders' account (A shares)		To Shareholders' account (A shares)		SURPLUS TRANSFERRED TO SHAREHOLDERS' ACCOUNT (GENERAL BRANCH) ... 810,000	
				<i>Add</i>	
				Surplus brought forward from previous year carried to Shareholders' account (General branch) ... 231,087	
				<i>Deduct</i>	
				Surplus carried forward in Shareholders' account (General branch) ... 453,310	
				SURPLUS FOR DISTRIBUTION ... £587,777	
				Appropriated as follows:	
				To Shareholders' account (A shares) ... £154,444	
				To Dividend on B shares ... £433,333	

NOTE: General branch business in the United States of America is transacted by the Company's subsidiary, The Prudential Insurance Company of Great Britain, located in New York (accounts on page 26). This business is not included in the above figures, but the dividend received from the subsidiary is included in the investment income.

BONUS DECLARATIONS

The Directors have declared the following bonuses on participating policies:

ORDINARY BRANCH

Assurance policies of classes issued in the United Kingdom, the Channel Islands and the Isle of Man

A reversionary bonus at the rate of 62s. per £100 sum assured.

A final bonus on policies issued in 1963 or earlier which become claims by death or maturity of endowment between 1st April, 1965, and 31st March, 1966, inclusive, at rates varying from 4s. per £100 sum assured for policies issued in 1963 to £37 per £100 sum assured for policies issued in 1923 and earlier. The rates are set out in full on page 29 in the Valuation Report of the Chief Actuary.

Assurance policies of the undermentioned overseas classes

Reversionary bonuses at the following rates per cent of the sum assured:

Australia (other than superannuation policies):

First Series	2.65
Second Series...	1.90 compound.

New Zealand:

First Series	2.2
Second Series...	1.4 compound.

Canada

2.1 compound.

South Africa, Southern Rhodesia and Zambia:

First Series 2.75

Second Series (other than Retirement Fund policies) 2.125 compound.

Kenya, Tanganyika and Uganda 2.3

Pakistan 1.7

Malaya and Singapore 2.6

Cyprus 2.8

Malta 3.1

Bonuses for assurance policies of other overseas classes, retirement annuity policies, group pension business and Pension-Unit Scheme policies have also been declared at the rates set out on pages 30 and 31 in the Valuation Report of the Chief Actuary.

INDUSTRIAL BRANCH

A reversionary bonus at the rate of 48s. per £100 sum assured.

This bonus is added as on 18th March, 1965, or on completion of payment of one year's premiums, whichever is the later.

A final bonus on policies issued in 1963 or earlier which become claims by death or maturity of endowment between 1st April, 1965, and 31st March, 1966, inclusive, at rates varying from 4s. per £100 sum assured for policies issued in 1963 to £37 per £100 sum assured for policies issued in 1923 and earlier. The rates are the same as those for the Ordinary branch and are set out in full on page 29 in the Valuation Report of the Chief Actuary.

DIVIDENDS

The Directors have declared the following dividends for 1964 payable on the reorganised share capital of 100,000,000 A shares of 1s. and 20,000,000 B shares of 1s. This capital reorganisation was approved at the Extraordinary General Meeting held on the 10th March, 1965.

A SHARES

A final dividend of 5·75d. per share payable on 13th May, 1965, to shareholders on the Register on 16th April, 1965.

The final dividend of 5·75d. together with the interim dividend paid in November, 1964 (equivalent to 3·75d. per A share in relation to the reorganised A share capital) represents a total dividend of 9·5d. for the year of which 3·7d. per share is derived from the profits of the General branch, the balance being derived from the profits of the Life branches.

B SHARES

A dividend of 5·2d. per share payable on 13th May, 1965, to shareholders on the Register on 16th April, 1965.

The dividend on the B shares is wholly derived from the profits of the General branch.

The dividends on both the A and B shares are payable free of income tax.

The valuation of the contracts in all branches has been made by Mr. F. M. Redington, M.A., F.I.A., upon the bases stated in his report, which appears in full on pages 28-32.

The Directors deeply regret the death on the 24th December, 1964, of their colleague Mr. Rupert Thorp, who was appointed to the board in May, 1960.

The Directors retiring by rotation are Sir Frank William Morgan, M.C., The Rt. Hon. Lord Coleraine, P.C. and Mr. Maurice Petherick.

Sir Frank Morgan is not offering himself for re-election. In view of his long and outstanding services to the Company, the Directors recommend his appointment as President.

Lord Coleraine and Mr. Petherick offer themselves for re-election and the Directors also recommend the election of Mr. Leslie Brown, F.I.A., Sir Harold Anthony Caccia, G.C.M.G., G.C.V.O. and Mr. Reginald Edgar Montgomery.

Messrs. Deloitte, Plender, Griffiths and Co., the present Auditors of the Company, have signified their willingness to continue in office.

*Holborn Bars,
2nd April, 1965.*

F. W. MORGAN,
Chairman.

LIFE ASSURANCE

for the year ended

REVENUE ACCOUNTS

31st December 1964

ORDINARY BRANCH

1963 £	£	1963 £	£
636,812,295	Amount of Ordinary life assurance fund at the beginning of the year £703,991,041	10,645,075	Claims under policies paid and outstanding—
64,114	Add adjustment in respect of Egyptian business	17,864,521	By death 12,214,190
636,876,409	703,991,041	28,509,596	By maturity 18,521,741
—37,359	Add adjustment in exchange 408,774	11,518,819	Surrenders 12,199,443
636,839,050	704,399,815	950,940	Bonuses surrendered for cash 1,032,307
89,229,333	Premiums 97,307,102	4,516,898	Annuities 5,410,219
3,179,877	Consideration for immediate annuities 3,700,267	4,511,783	Commission 5,171,093
43,324,709	Interest, dividends and net rents (less amount written off terminable securities) ... 49,620,785	10,364,250	Expenses of management 11,146,915
6,819,659	Deduct Income tax (less estimated rebate in respect of 1964) 7,694,642	260,000	Profits tax 295,000
36,505,050	41,926,143		Transfer to Profit and loss account (1963— including £13,937 in respect of Egyptian business) 2,127,430
750,000	Transfer from Investment reserve account 1,250,000	703,991,041	Amount of Ordinary life assurance fund at the end of the year 780,464,989
13,937	Compensation in respect of Egyptian business		
<u>£766,517,247</u>	<u>£848,583,327</u>	<u>£766,517,247</u>	<u>£848,583,327</u>

NEW BUSINESS DURING THE YEAR

Assurances: The number of policies issued was 219,535; sums assured were £615,809,846; the annual premium income was £9,851,437; single premiums were £447,090.

Annuities: The amount of annuities was £22,671,222 per annum; the annual premium income was £4,388,993; single premiums (including consideration for immediate annuities) were £4,770,210.

INDUSTRIAL BRANCH

1963 £	£	1963 £	£
532,507,632	Amount of Industrial life assurance fund at the beginning of the year	17,801,795	Claims under policies paid and outstanding—
65,072,844	Premiums	20,104,126	By death 17,554,766
37,418,248	Interest, dividends and net rents (less amount written off terminable securities) ... £41,192,216	37,905,921	By maturity 19,802,233
6,467,575	Deduct Income tax (less estimated rebate in respect of 1964) 8,396,687	12,903,616	Surrenders 13,567,171
30,950,673	32,795,529	19,873,143	Expenses of management 20,154,933
1,700,000	Transfer from Investment reserve account 2,900,000	205,000	Profits tax 215,000
		1,622,517	Transfer to Profit and loss account 1,721,999
		557,720,952	Amount of Industrial life assurance fund at the end of the year 588,161,611
<u>£630,231,149</u>	<u>£661,177,717</u>	<u>£630,231,149</u>	<u>£661,177,717</u>

NEW BUSINESS DURING THE YEAR

Assurances: The number of policies issued was 1,289,450; sums assured were £139,250,322; the annual premium income was £9,313,499.

GENERAL BRANCH

for the year ended

FIRE INSURANCE BUSINESS

1963 £	£	1963 £	£
Amount of fire insurance fund at the beginning of the year—		3,845,477	Claims under policies paid and outstanding 3,295,741
2,858,560	2,835,287	1,002,990	Commission 1,154,126
6,169,103	6,938,998	1,965,465	Expenses of management 2,052,139
		39,132	Overseas taxes other than on profits ... 34,954
38,964	—	87,227	Contributions to fire brigades and fire prevention 89,362
718,144	21,475	9,193	Exchange depreciation on currency assets held against currency liabilities ... 35,114
			Amount of fire insurance fund at the end of the year—
			Provision for unexpired risks, which amounts to 45.2 per cent. (46.0 per cent. for 1963) of the premium income for the current year 3,134,324
<u>£9,784,771</u>	<u>£9,795,760</u>	<u>£9,784,771</u>	<u>£9,795,760</u>

REVENUE ACCOUNTS

31st December 1964

MOTOR VEHICLE INSURANCE BUSINESS

1963 £	£	1963 £	£
Amount of motor vehicle insurance fund at the beginning of the year—		5,494,623	Claims under policies paid and outstanding 6,495,069
3,251,034	£3,603,478	990,139	Commission 1,163,517
3,694	6,489	2,239,535	Expenses of management 2,483,931
3,247,340	3,596,989	27,765	Overseas taxes other than on profits ... 30,689
9,008,694	10,650,968		Amount of motor vehicle insurance fund at the end of the year—
99,506	185,636		Provision for unexpired risks, which amounts to 40 per cent. of the premium income for the current year 4,260,387
<u>£12,355,540</u>	<u>£14,433,593</u>	<u>£12,355,540</u>	<u>£14,433,593</u>

SICKNESS AND ACCIDENT INSURANCE BUSINESS

1963 £	£	1963 £	£
Amount of sickness and accident insurance fund at the beginning of the year—		960,470	Payments under policies, including medical and legal expenses in connection therewith 1,085,503
770,695	£893,540	367,240	Commission 415,456
		651,353	Expenses of management 700,693
300,000	208,000	4,509	Overseas taxes other than on profits ... 5,098
199,043	214,935	251,933	Transfer to Profit and loss account ... 288,937
321,416	402,748		Amount of sickness and accident insurance fund at the end of the year—
1,591,154	1,719,223	893,540	Provision for unexpired accident and disability risks, which amounts to 40 per cent. of the premium income for the current year £1,007,361
—647	1,477	208,000	Further provision for renewable accident and disability risks 185,000
1,590,507	1,720,700	214,935	Provision for permanent sickness risks 251,328
2,233,849	2,518,402	402,748	Total estimated liability in respect of outstanding claims 454,636
116,851	138,764	1,719,223	
2,350,700	2,657,166	<u>£3,954,728</u>	<u>1,898,325</u>
13,521	16,146		
<u>£3,954,728</u>	<u>£4,394,012</u>		<u>£4,394,012</u>

MISCELLANEOUS INSURANCE BUSINESS

1963 £	£	1963 £	£
Amount of miscellaneous insurance fund at the beginning of the year—		2,238,514	Claims under policies paid and outstanding 2,349,652
1,728,928	£1,867,315	701,485	Commission 760,928
—1,167	1,784	1,367,780	Expenses of management 1,456,834
1,727,761	1,869,099	17,475	Overseas taxes other than on profits ... 17,290
4,350,908	4,787,385	—	Transfer to Profit and loss account ... 96,505
74,259	77,137		Amount of miscellaneous insurance fund at the end of the year—
39,641	—		Provision for unexpired risks, which amounts to 42.9 per cent. (42.9 per cent. for 1963) of the premium income for the current year 2,052,412
<u>£6,192,569</u>	<u>£6,733,621</u>	<u>£1,867,315</u>	<u>£6,733,621</u>

The amount of debentures, debenture stocks and estates for which the Company acts as trustee exceeded £432,000,000 at the end of the year.

GENERAL BRANCH REVENUE ACCOUNTS — CONTINUED

SINKING FUND INSURANCE BUSINESS

1963		1963	
£		£	£
1,812,557	Amount of sinking fund insurance fund at the beginning of the year	1,771,937	104,820
20,229	Premiums	18,263	6,821
93,162	Interest, dividends and net rents	92,968	—
			405
			41,965
			1,771,937
<u>£1,925,948</u>		<u>£1,883,168</u>	Amount of sinking fund insurance fund at the end of the year
			1,688,291
			<u>£1,883,168</u>

MARINE, AVIATION AND TRANSIT INSURANCE BUSINESS

Total 1963 £	Current Year.	Last Preceding Year.	Previous Years.	Total.	Total 1963 £	Current Year.	Last Preceding Year.	Previous Years.	Total.
£	£	£	£	£	£	£	£	£	£
1,249,600	—	409,748	824,329	1,234,077	448,151	158,345	231,803	86,962	496,334
						4,257	13,242	1,725	
616,128	573,948	14,354	6,111	635,660	26,870	33,324	— 148	18	33,194
	18,068	18,024	5,155		13,045	15,328	— 96	12	15,244
					11,752	10	— 122	14,173	14,061
					6,833	5,014	14,628	848	20,490
					125,000	—	—	125,000	125,000
					1,234,077	375,738	182,819	606,857	1,165,414
<u>£1,865,728</u>			<u>£1,869,737</u>	<u>£1,865,728</u>					

P00020058

LIFE ASSURANCE PROFIT AND LOSS ACCOUNTS

for the year ended 31st December 1964

PROFIT AND LOSS ACCOUNT

1963			1963		
£		£	£		£
	Transfers from Revenue accounts—			Transfers to Shareholders' account (A shares)	
1,893,920	Ordinary branch	2,127,430	3,502,500	re Life branches	3,849,420
1,622,517	Industrial branch	1,721,990	13,937	re Egypt	—
<u>£3,516,437</u>		<u>£3,849,420</u>	<u>£3,516,437</u>		<u>£3,849,420</u>

SHAREHOLDERS' ACCOUNT (A SHARES)

1963			1963		
£		£	£		£
713,894	Amount of the Dividend reserve fund (A shares) at the beginning of the year...	796,929	4,573	Taxation—	
30,483	Interest	35,767	11,812	Profits tax	5,279
—	Profit on investments realised	20,533	—	Income tax	13,867
55,000	Transfer from Investment reserve account	—	—	Interim dividend (free of income tax) to holders of A shares in respect of 1964 ...	1,562,500
3,502,500	Transfers from Profit and loss account re Life branches	3,849,420	3,645,833	Provision for final dividend (free of income tax) to holders of A shares in respect of 1964... ..	2,395,833
13,937	re Egypt	—	796,929	Balance carried to Shareholders' account (A shares) Balance sheet	879,614
143,333	Transfer from Shareholders' account (General branch)	154,444			
<u>£4,459,147</u>		<u>£4,857,093</u>	<u>£4,459,147</u>		<u>£4,857,093</u>

SHAREHOLDERS' ACCOUNT (A SHARES) BALANCE SHEET

31st December 1964

1963	LIABILITIES		1963	ASSETS	
£		£	£		£
796,929	Shareholders' account (A shares)	879,614	729,512	Investments—	
	(1963—Dividend reserve fund (A shares))		49,129	British Government securities	—
4,618	Current liabilities and provisions—		—	British Government guaranteed securities	—
2,868	Profits tax	9,270	—	Current assets—	
—	Income tax	11,149	—	Deposit with Life and General branches	3,298,533
—	Other creditors	2,667	—	Balance at Bankers—	
—	Final dividend declared	2,395,833	25,774	On current account in the United Kingdom	—
	NOTE—The provision for dividends to A Shareholders for 1963 appears in the main Balance sheet on page 22.				
<u>£804,415</u>		<u>£3,298,533</u>	<u>£804,415</u>		<u>£3,298,533</u>

See note 4, page 25.

CONTINGENCY FUNDS

Accounts for the year ended 31st December 1964

Common 1963	Special 1963		Common	Special	Common 1963	Special 1963		Common	Special
£	£		£	£	£	£		£	£
4,075,439	6,687,744	Amount of contingency fund at the beginning of the year	4,177,415	6,850,209	33,097	52,805	Taxation—		
220,418	351,296	Interest and dividends ...	228,355	355,709	85,345	136,026	Profits tax... ..	34,133	53,157
					4,177,415	6,850,209	Income tax	88,469	137,863
							Amount of contingency fund at the end of the year ...	4,283,168	7,014,898
£4,295,857	£7,039,040		£4,405,770	£7,205,918	£4,295,857	£7,039,040		£4,405,770	£7,205,918

BALANCE SHEETS 31st December 1964

Common 1963	Special 1963	LIABILITIES	Common	Special	Common 1963	Special 1963	ASSETS	Common	Special
£	£		£	£	£	£		£	£
4,177,415	6,850,209	Contingency funds	4,283,168	7,014,898			Loans—		
33,202	52,945	Provision for Profits tax ...	31,296	51,780	—	15,012	On parochial and other public rates	—	—
							Investments—		
					3,246,888	5,435,951	British Government securities	3,325,753	5,475,376
					321,424	550,295	British Government guaranteed securities ...	241,425	510,295
					415,811	335,116	Municipal and county securities—United Kingdom	449,496	423,274
					31,500	—	Public Board securities—United Kingdom ...	31,500	—
					51,029	256,711	Other Commonwealth Government securities	118,466	329,149
					120,047	284,952	Debentures and debenture stocks, home and foreign	119,214	283,563
							Current assets—		
					16,096	10,682	Estimated tax recoverable	6,838	2,840
							Balance at Bankers—		
					7,822	14,435	On current account in the United Kingdom	21,772	42,181
£4,210,617	£6,903,154		£4,314,464	£7,066,678	£4,210,617	£6,903,154		£4,314,464	£7,066,678

BALANCE SHEET

31st DECEMBER 1964

Ordinary Branch 1963.	Industrial Branch 1963.	General Branch 1963.	Total 1963.	LIABILITIES.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£		£	£	£	£
				Authorised and Issued Capital—				
	1,250,000		1,250,000	6,250,000 A shares of 4s. each, fully paid ...		1,250,000		1,250,000
		1,000,000	1,000,000	4,000,000 B shares of 5s. each, fully paid ...			1,000,000	1,000,000
		231,087	231,087	Balance of Shareholders' account (General branch) ...			453,310	453,310
				(1963—Appropriation account)				
				Profit and loss account—balance carried forward			14,474	14,474
14,000,000	21,500,000	1,000,000	36,500,000	Branch contingency funds ...	14,000,000	21,500,000	1,000,000	36,500,000
				Life assurance funds—				
703,991,041			703,991,041	Ordinary branch ...	780,464,989			780,464,989
	557,720,952		557,720,952	Industrial branch ...		588,161,615		588,161,615
				General branch insurance funds—				
		2,835,287		Fire ...			3,134,324	
		1,719,223		Sickness and accident ...			1,898,325	
		3,603,478		Motor vehicle ...			4,260,387	
		1,867,315		Miscellaneous ...			2,052,412	
		1,771,937		Sinking fund ...			1,688,291	
		1,234,077		Marine ...			1,165,414	
		3,950,000		Additional reserve ...			3,950,000	
			16,981,317					18,149,153
				Current liabilities and provisions—				
				Claims admitted or intimated, but not paid, less amounts recoverable under reinsurances—				
4,918,333	1,751,728		6,670,061	Life ...	5,802,864	1,476,889		7,279,753
		1,290,724		Fire ...			1,370,389	
		3,999,047		Motor vehicle ...			4,656,483	
		1,644,766		Miscellaneous ...			1,795,424	
		18,000		Sinking fund ...				
			7,237	Annuities due and unpaid ...			6,324	6,324
1,381,187	418,850	809,552	2,609,589	Outstanding commission and expenses ...	1,553,813	490,232	978,375	3,022,420
539,871		121,031	660,902	Premiums received in advance ...	613,494		156,823	770,317
				Amounts due on reinsurance account—				
		411,807		Fire ...			528,583	
		8,242		Sickness and accident ...			6,197	
		13,150		Motor vehicle ...			15,409	
		135,503		Miscellaneous ...			159,223	
		112,957		Marine ...			76,345	
		100		Amounts due to subsidiaries ...	164,920	125,000		310,384
	362,778	157,767	1,137,470	Other creditors ...	1,013,688	645,854	169,962	1,829,504
				Loans from overseas bankers ...	7,568,959			7,568,959
1,395,123	638,749		2,033,872	Sundry brokers for investments purchased ...	296,768	268,924	143,020	708,712
748,869	12,827	131,463	893,159	Overseas taxes ...	909,952	13,288	130,684	1,053,924
244,587	199,712	3,665	447,964	Profits tax ...	283,534	215,176	127,206	625,916
				United Kingdom income tax including reserve for future liability on profits earned to date			198,092	198,092
				Amount due to Shareholders' account (A shares) ...	1,743,147	1,410,942	144,444	3,298,533
				Dividends declared—				
1,879,983	1,622,517	143,333	3,645,833	A shares (for 1964 see page 19) ...				
		400,000	400,000	B shares ...			433,333	433,333
				The certificates and notes on pages 24 and 25 together with the Shareholders' account (A shares) Balance sheet on page 19, form an integral part of these accounts.				
£729,723,156	585,478,213	28,614,937	1,343,816,306		£814,422,452	615,557,920	31,727,393	1,461,707,765
				Common contingency fund (per separate Balance sheets) ...				4,314,464
				Special contingency fund ...				7,066,678
				Dividend reserve fund (A shares) (See note 4, page 25) ...				
			£1,355,734,492					£1,473,088,907

Ordinary Branch 1963.	Industrial Branch 1963.	General Branch 1963.	Total 1963.	ASSETS.	Ordinary Branch.	Industrial Branch.	General Branch.	Total.
£	£	£	£		£	£	£	£
60,551,841	23,396,725	22,442	83,971,008	Mortgages—				
27,552,567	1	113,513	27,666,081	On property within the United Kingdom ...	68,420,088	27,809,888	17,977	96,247,953
				On property out of the United Kingdom ...	31,825,469	1	152,399	31,977,869
				Loans—				
5,779,084	5,221,416	98,500	11,099,000	On parochial and other public rates ...	2,254,607	3,569,539		5,824,146
350,000	500,000	293	850,293	On stocks and shares ...	100,000			100,000
				On Company's policies within their surrender values ...	21,834,103		7,500	21,841,603
20,564,360	190,450	190,539	20,571,860	Without specific security ...	1,208,659	290,700	214,466	21,713,825
1,195,626			1,576,615					
113,270,849	161,184,957	4,337,510	278,793,316	Investments—				
2,525,652	11,073,559	457,299	14,056,510	British Government securities ...	115,377,843	164,124,327	5,562,438	285,064,608
				British Government guaranteed securities ...	2,663,800	8,333,701	10,804	11,008,305
				Securities guaranteed under Trade Facilities and other acts ...	625,493	947,612		1,573,105
623,134	484,635		1,107,769	Municipal and county securities, United Kingdom ...	2,234,684	2,727,038	416,519	5,378,241
1,927,556	2,556,979	411,388	4,895,923	Public Board securities, United Kingdom ...	558,717	1,590,767	196,636	2,346,120
411,498	1,528,786	196,636	2,136,920	Other Commonwealth provincial securities ...	35,004,907	3,982,498	1,676,390	40,663,795
31,561,931	3,844,234	1,684,925	37,091,090	Other Commonwealth municipal securities ...	15,086,705		1,402,059	16,488,764
13,522,907		1,042,120	14,565,027	Other Commonwealth Public Board securities ...	6,395,761	7,615	871,671	7,275,047
5,845,126	7,615	916,064	6,768,805	Foreign Government securities ...	3,640,935	111,551	451,381	4,203,867
724,304			724,304	Foreign provincial securities ...	2	3		5
3,687,596	112,527	400,829	4,200,952	Foreign municipal securities ...	4,061,768	5	140,871	4,202,644
2	3		5	Foreign Public Board securities ...	2,958,439			2,958,439
4,047,777	5	143,157	4,190,939	Debentures and debenture stocks and gold and sterling bonds—home and foreign ...	141,213,233	105,389,338	4,395,188	250,997,759
2,792,444			2,792,444	Preference and guaranteed stocks and shares ...	27,326,839	27,529,433	2,071,256	56,927,528
109,588,758	90,690,680	4,247,616	204,527,054	Ordinary stocks and shares ...	178,725,003	160,964,365	6,345,185	346,034,553
27,227,779	28,071,753	1,773,655	57,073,187	Subsidiaries not dealt with in group accounts—				
158,013,956	154,058,091	5,337,273	317,409,320	Debentures ...	289,475			289,475
				Ordinary shares ...	228,266	125,000	62,543	415,809
286,961			286,961	Rent charges ...	40,000			40,000
83,705	13,770	82,913	180,388	Freehold ground rents and feu duties ...	10,461,479	7,148,310		17,609,789
40,000	30,105		70,105	Leasehold ground rents ...	1,109,014	81,000		1,190,014
8,780,196	7,907,869		16,688,065	Freehold and leasehold property (including office premises)—				
	81,000		81,000	In the United Kingdom ...	105,118,972	89,912,966		195,031,938
				Out of the United Kingdom ...	13,741,034		29,560	13,770,594
				Subsidiary dealt with in accounts annexed—				
				Ordinary shares ...			1,071,428	1,071,428
				Current assets—				
1,386,183	237,500	510,931	2,134,614	Deposits at interest at home and abroad ...	1,278,965	237,500	567,860	2,084,325
				Agents' balances ...			525,051	525,051
2,317,790		456,685	2,317,790	Commission paid in advance ...	2,837,645			2,837,645
2,521,151	2,457,490	2,486,768	7,465,409	Outstanding premiums ...	2,822,124	874,345	2,701,195	6,397,664
2,184,273	810,877	11,507	3,006,657	Outstanding interest, dividends, rents and fees ...	2,690,443	1,031,474	15,117	3,737,034
3,911,760	3,052,764	114,230	7,078,754	Interest, dividends, rents and fees accrued ...	4,250,205	3,141,218	123,456	7,514,879
		1,043,356	1,043,356	Amounts due on reinsurance account ...			1,115,339	1,115,339
		6,018	6,018</					

CERTIFICATES TO THE ACCOUNTS

I certify that in my belief the liabilities in respect of long term business do not exceed the amounts of the respective funds and all other liabilities in respect of long term business as shown in the Balance sheet.

F. M. REDINGTON, *Chief Actuary.*

We certify that in our belief the value of the assets exceeds the amount of the liabilities computed in accordance with the provisions of sub-section (2) of Section 13 of the Insurance Companies Act, 1958, by the amount required by sub-section (1) of that Section. The liabilities in respect of long term business have been taken at the amounts of the respective funds and all other liabilities in respect of long term business as shown in the Balance sheet.

No part of any fund has been applied directly or indirectly for any purposes other than those of the class of business to which the fund is applicable.

The amounts at which the Stock Exchange securities and other assets are stated in the Balance sheet are determined under the Articles of Association of the Company by the Directors and we certify that in our belief the value at 31st December, 1964, of the assets set forth in the Balance sheet is in the aggregate in excess of the amount stated therein. For the purpose of this certificate the values of the quoted Stock Exchange securities have been taken at middle market prices as at that date and the values of other assets have been estimated by the Directors.

K. A. USHERWOOD, *General Manager.*

F. W. MORGAN, *Chairman.*

F. M. REDINGTON, *Chief Actuary.*

JOHN S. P. MELLOR, *Director.*

H. G. CLARKE, }
A. F. MURRAY, } *Joint Secretaries.*

J. N. HOGG, *Director.*

2nd April, 1965.

NOTES TO THE ACCOUNTS

1. The Company has the following forward commitments and contingent liabilities:

1963		1964
£		£
139,855,000	Capital commitments for settlement after 31st December	113,550,000
1,400,000	Contingent capital commitments	65,000
2,775,000	Uncalled capital on investments held	2,750,000
55,000	Reserve liability on shares, etc.	10,000

In addition certain guarantees have been given by the Company in respect of retirement benefits for the Staff and benefits for their relatives and dependants.

2. Part of the assets (investments and cash) of the General branch has been deposited under local laws in places out of the United Kingdom on account of fire, casualty and marine insurance business. Specific deposits of life assurance assets of the Ordinary branch, as set out below, have been made under local laws as security to holders of policies issued. Investments (at or under market value, if quoted), property and cash amount to:

1963		1964
£		£
39,000	Australia	37,500
15,000	Burma	15,000
41,371,500	Canada	47,023,000
12,000	Ireland	11,000
4,500	Israel	1,500
35,000	Malaya	P00020063
49,500	New Zealand	75,000
3,844,000	Pakistan	4,237,500

NOTES TO THE ACCOUNTS (CONTINUED)

3. A shares—This capital is liable in respect of contracts in all branches of the Company's business, but is included in the Industrial branch accounts pursuant to Section 3 of The Prudential Assurance Company Act, 1875.

4. Shareholders' accounts were set up in 1964 pursuant to the Special Resolution of the 14th May, 1964. In accordance therewith the Dividend reserve fund (A shares) was transferred to the Shareholders' account (A shares) which, to comply with the Articles of Association is treated as a separate fund on page 19. The assets of the fund are deposited with the Life and General branches and correspond to the liability item "Amount due to Shareholders' account (A shares)" in the Company's Balance sheet on page 22. The Shareholders' account (General branch) is not a separate fund and is included in the General branch Balance sheet on page 22. The corresponding figures for 1963 in the Profit and Loss and Appropriation accounts and the Dividend reserve fund (A shares) have been rearranged where necessary to reflect the change in practice arising from the Special Resolution.

5. The aggregate amount of the Directors' remuneration for the year was £54,794 (1963, £51,938). In addition sums totalling £7,230 (1963, £6,952) were paid by the Company to Directors and past Directors under arrangements for augmenting pensions payable to ex-employees from the staff pension funds.

6. Life and casualty revenue account transactions in overseas currencies have been brought in at the rates of exchange ruling on 31st December, 1964, with the exception of interest received at or paid by the Company's Chief Office which has been brought in at the rates ruling on the dates of the respective transactions; the adjustment in exchange item appearing in certain revenue accounts is the difference between the sterling equivalents at the rates ruling at the beginning and the end of the year of the fund brought forward at the beginning of the year. Fire and marine revenue account transactions in overseas currencies have been brought in at rates of exchange approximating to those current on the dates of the respective transactions.

Currency liabilities overseas are, in the main, covered by currency assets. Both have been converted into sterling at the rates ruling on 31st December, 1964, except that in the case of certain investments in overseas currency held at Chief Office book values have been based on the rates of exchange ruling on the dates of acquisition.

7. Profits and losses on realisation of assets together with adjustments to ledger values and exchange differences, other than exchange differences on fire, marine, aviation and transit insurance business, less any relative taxes, have been carried to Investment reserve accounts the balances of which, after transfers to revenue accounts, have been applied to reduce the values of the assets in the respective Balance sheets.

8. With the approval of the Board of Trade (a) the group accounts do not include the accounts of Prudential Nominees Limited or two other subsidiaries whose businesses are so different from that of the Company that they cannot reasonably be treated together as a single undertaking and in which subsidiaries the shareholdings are held merely as investments, and (b) the particulars of such subsidiaries otherwise required to be given in accordance with paragraphs 15 (4) and (6) of the Eighth Schedule to the Companies Act, 1948, are omitted. The accounts of four other subsidiaries have not been included in the group accounts as the amounts involved are insignificant. Based on the rates of exchange ruling on the 31st December, 1964, the particulars to be given for these four subsidiaries are :

	For 1964 £	For previous years £
Net aggregate amount of profits—		
not included in the Company's accounts	— 6,142	27,775
included in the Company's accounts	28,770	— 46,068

9. General branch business in the United States of America is transacted by the Company's subsidiary, The Prudential Insurance Company of Great Britain located in New York. The accounts of this subsidiary for the year 1964 have been approved by the Directors and are annexed to these accounts. In the Company's main Balance sheet its investment in this subsidiary appears as an asset of the General branch under the heading "Subsidiary dealt with in accounts annexed—Ordinary shares" and is shown at dollar cost converted to sterling at the rate of \$2.80 to the £. The Company's main accounts do not include the business transacted by the subsidiary except that the dividend received in 1964 is included with General branch interest and dividends.

**REPORT OF THE AUDITORS
TO THE MEMBERS OF
THE PRUDENTIAL ASSURANCE COMPANY LIMITED**

We have obtained all the information and explanations which we considered necessary for our audit. In our opinion proper books of account have been kept by the Company and proper returns adequate for the purposes of our audit have been received from the branches which have not been visited by us.

We have examined the balance sheet and revenue and profit and loss accounts of the Company which are in agreement with the books and returns and in our opinion give the information required by the Companies Act, 1948, as modified for assurance companies in regard to reserves and provisions and aggregate market value of quoted investments. On this basis, in our opinion, the balance sheet and the profit and loss account, as supplemented by the revenue accounts, give a true and fair view of the state of the Company's affairs as at 31st December, 1964, and of the profit, ascertained in the manner indicated in the accounts, for the year ended on that date.

No part of any fund has been applied, directly or indirectly, for any purpose other than the class of business to which the fund is applicable. We have investigated the methods of calculating and apportioning the expenses of management and in our opinion the apportionment of these expenses between the Industrial and other Branches of the Company's business has been made on a fair and equitable basis.

We have also examined the group accounts comprising the accounts of the Company, as audited by us, and the annexed accounts of its subsidiary compiled from audited accounts received from New York. In our opinion the group accounts comply with the Companies Act, 1948, and, on the basis mentioned above, give a true and fair view of the state of affairs as at 31st December, 1964, and of the profit for the year ended on that date of the Company and its subsidiary so far as concerns members of the Company.

DELOITTE, PLENDER, GRIFFITHS & CO.,
Chartered Accountants,
128, Queen Victoria Street, London, E.C.4.

2nd April, 1965.

VALUATION REPORT

To the Directors of The Prudential Assurance Company Limited.

Gentlemen,

I have the honour to submit my report on the valuation as at 31st December, 1964, of the life assurances and annuities and other insurance contracts of the Company.

ORDINARY BRANCH

The number of contracts in force was **2,105,677**, producing an annual premium income of **£96,254,986**. Sums assured with bonuses amounted to **£3,087,668,299**; deferred and contingent annuities with bonuses amounted to **£118,723,508** per annum including amounts of annuity to be purchased by future recurrent single premiums. Annuities in course of payment amounted to **£5,960,834** per annum.

The interest earned in 1964 represents a gross rate of **£6 17s. 7d.** per cent on the Ordinary branch life assurance fund.

The methods of valuation used for assurances were:—

Business issued in the United Kingdom, the Channel Islands and the Isle of Man	...	The net premium method valuing net premiums calculated on the valuation basis
Business issued in other territories except with-profits business issued in New Zealand	...	The modified net premium method valuing net premiums calculated on the valuation basis with an addition to allow for part of the initial expenses
With-profits business issued in New Zealand	...	The bonus reserve method

Assurances issued in the United Kingdom and in overseas territories other than Australia and New Zealand have been valued by the A1924/29 Ultimate table of mortality with a rating up in age of 3 years for assurances issued at non-European rates of premium. Assurances issued in Australia and New Zealand have been valued by the A1949/52 Ultimate table. The net rates of interest assumed for assurances were:—

Business issued in:—	Rate of Interest
United Kingdom, the Channel Islands and the Isle of Man	2½%
Australia:	
Other than Second Series policies	3¼%
Second Series policies	3%
New Zealand:	
With-profits policies	4½%
Without-profits policies	3¼%
South Africa, Southern Rhodesia and Zambia:	
Other than Second Series policies	3½%
Second Series policies	3¼%
Kenya, Tanganyika and Uganda	3½%
Other territories	3%

For assurances other than with-profits business issued in New Zealand the whole of the difference between the value of the future office premiums and the value of the future net or modified net premiums has been reserved for future expenses and profits. For with-profits business issued in New Zealand the provision for future expenses amounted to 15 per cent of the value of the future office premiums and provision was made for future bonuses at the rate of 1.9 per cent simple for First Series policies and 1.15 per cent compound for Second Series policies with appropriate allowance for taxation.

Deferred annuities have been valued for the period of deferment by the A1949/52 Ultimate table of mortality with a rating down of one year in the age. Deferred annuities for the period after deferment and immediate annuities have been valued by the a(55) Ultimate tables of mortality with additions to the values of the annuities of 3½ per cent for those issued in the United Kingdom, the Channel Islands and the Isle of Man and of 3 per cent for those issued in other territories as provision for future expenses of paying annuities and for the increasing longevity of annuitants.

The rates of interest assumed were:—

Deferred annuities:—	United Kingdom, the Channel Islands and the Isle of Man	Other territories
With-profits:		
Individual business	3¾%	3%
Group pension business	2¾%	P00020067
Pension-Unit Schemes	4½%	

ORDINARY BRANCH (CONTINUED)

Deferred annuities (continued):—		United Kingdom, the Channel Islands and the Isle of Man	Other territories
Without-profits individual and group:			
Pension annuity business		4%	—
General annuity business:			
During deferment		3½%	3¼%
After deferment		4%	
Immediate annuities		5%	3½%
Annuities certain		3½%	3½%

For individual deferred annuities and Pension-Unit Scheme policies the net premiums valued were calculated on the valuation bases. For group deferred annuities secured by annual premiums the net premiums are 95 per cent of the office premiums. For group deferred annuities secured by recurrent single premiums the benefit valued is the amount of annuity purchased by premiums paid to date.

The equivalents in sterling of liabilities in other currencies have been calculated at the rates of exchange ruling on 31st December, 1964.

The Additional reserve now stands at **£16,350,000**. This reserve is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses on the various classes of policies.

● The result of the valuation is as follows:—

Life assurance fund, subject to transfers out of surplus, on 31st December, 1964	£782,592,419
Net liability under assurance policies	£486,017,537
Net liability under annuity contracts	245,652,565
Additional reserve	16,350,000
Total net liability	748,020,102
Surplus emerging at 31st December, 1964	34,572,317
Add cost of bonuses allocated during 1964 in anticipation out of surplus for that year	738,353
TOTAL SURPLUS for year, including £1,185,768 brought forward from last year	£35,310,670

I recommend that, including the amounts already allocated in anticipation out of the surplus for 1964, **£32,075,628** be allocated to participating policies.

I am of the opinion that on participating assurances issued in the United Kingdom, the Channel Islands and the Isle of Man, part of the surplus would again be more equitably distributed by way of final bonuses varying with the duration of the policies rather than as a normal reversionary bonus, that the rates should be increased and that the years of issue to which they apply should be extended to include the year 1963. I, therefore, recommend that the following bonuses should be declared:—

(A) For assurance policies issued in the United Kingdom, the Channel Islands and the Isle of Man a final bonus on policies issued in 1963 or earlier which become claims by death or maturity between 1st April, 1965 and 31st March, 1966, inclusive, at the following rates per cent of the sum assured:—

Year of Issue	Rate per cent	Year of Issue	Rate per cent	Year of Issue	Rate per cent	Year of Issue	Rate per cent.
1963	0.2	1952	11.4	1942	21.5	1932	29.8
1962	0.9	1951	12.6	1941	22.4	1931	30.6
1961	1.7	1950	13.8	1940	23.3	1930	31.4
1960	2.5	1949	15.0	1939	24.2	1929	32.2
1959	3.3	1948	16.1	1938	25.0	1928	33.0
1958	4.3	1947	17.0	1937	25.8	1927	33.8
1957	5.4	1946	17.9	1936	26.6	1926	34.6
1956	6.6	1945	18.8	1935	27.4	1925	35.4
1955	7.8	1944	19.7	1934	28.2	1924	36.2
1954	9.0	1943	20.6	1933	29.0	1923	37.0
1953	10.2					or earlier	

VALUATION REPORT (CONTINUED)

ORDINARY BRANCH (CONTINUED)

(B) For assurance policies, reversionary bonuses, per cent of the sum assured, at the following rates:—

(1) Policies of classes issued in the United Kingdom, the Channel Islands and the Isle of Man	...	...	...	...	...	...	...	...	...	3.1	simple
(2) Policies of the undermentioned overseas classes:—											
(a) Australia:											
First Series: Superannuation	...	...	...	...	...	...	...	...	...	3.15	simple
Other	...	...	...	...	...	...	...	...	...	2.65	simple
Second Series: Superannuation	...	...	...	...	...	...	...	...	...	2.2	compound
Other	...	...	...	...	...	...	...	...	...	1.9	compound
(b) New Zealand:											
First Series	...	...	...	...	...	...	...	...	...	2.2	simple
Second Series	...	...	...	...	...	...	...	...	...	1.4	compound
(c) Canada...	...	...	...	...	...	...	...	...	...	2.1	compound
(d) South Africa, Southern Rhodesia and Zambia:											
First Series	...	...	...	...	...	...	...	...	...	2.75	simple
Second Series: Retirement Fund	...	...	...	...	...	...	...	...	...	2.375	compound
Other	...	...	...	...	...	...	...	...	...	2.125	compound
(e) Kenya, Tanganyika and Uganda	...	...	...	...	...	...	...	...	...	2.3	simple
(f) Pakistan	...	...	...	...	...	...	...	...	...	1.7	simple
(g) Malaya and Singapore	...	...	...	...	...	...	...	...	...	2.6	simple
(h) Cyprus	...	...	...	...	...	...	...	...	...	2.8	simple
(i) Malta	...	...	...	...	...	...	...	...	...	3.1	simple
(j) Ceylon (a closed class)	...	...	...	...	...	...	...	...	...	1.5	simple
(k) Sudan and Palestine (closed classes)	...	...	...	...	...	...	...	...	...	2.0	simple
(l) Burma (a closed class)	...	...	...	...	...	...	...	...	...	1.0	simple
(m) India (a closed class comprising a few policies on the Burma and United Kingdom registers)	...	...	...	...	...	...	...	...	...	1.4	simple

(C) For individual retirement annuity policies, reversionary bonuses on annuities not yet commenced, at the following rates per cent of the annuity being purchased, for policies issued in:—

(a) United Kingdom	...	...	...	...	...	...	...	...	...	2.75	simple
(b) Canada...	...	...	...	...	...	...	...	...	...	1.5	compound

(D) For group pension business, bonuses on pensions not yet commenced, at the following rates per cent of the pension secured, for policies issued in:—

(a) United Kingdom:											
Pension annuity business	...	...	...	...	...	...	...	...	...	3.5	compound
General annuity business	...	...	...	...	...	...	...	...	...	3.0	compound
(b) Channel Islands and the Isle of Man	...	...	...	...	...	...	...	...	...	3.0	compound
(c) Canada...	...	...	...	...	...	...	...	...	...	1.9	compound
(d) South Africa, Southern Rhodesia, Zambia, Kenya, Tanganyika and Uganda...	...	...	...	...	...	...	...	...	...	2.5	compound

(E) For Pension-Unit Scheme policies issued in the United Kingdom, the Channel Islands and the Isle of Man, a reversionary bonus on pensions not yet commenced at the following rate per cent of the pension being purchased

P00020069
.75 simple

ORDINARY BRANCH (CONTINUED)

I also recommend that final bonuses at the following rates, per cent of the annuity or pension, be granted in anticipation out of surplus for the year 1965:—

(A) For individual retirement annuity policies issued in:—	
(a) United Kingdom, on annuities commencing between 15th March, 1965 and 14th March, 1966, inclusive	15.0 compound
(b) Canada, on annuities commencing between 1st July, 1965 and 30th June, 1966, inclusive	15.0 compound
(B) For group pension policies, on pensions commencing between 15th March, 1965 and 14th March, 1966, inclusive, issued in:—	
(a) United Kingdom, the Channel Islands and the Isle of Man	26.0 compound
(b) Canada... ..	11.0 compound
(c) South Africa, Southern Rhodesia, Zambia, Kenya, Tanganyika and Uganda...	15.0 compound

INDUSTRIAL BRANCH

The number of policies in force, including 5,861,741 free or paid-up policies, was 27,407,785, producing an annual premium income of £69,679,465. The maximum sums assured with bonuses amounted to £1,461,649,557.

The interest earned in 1964 represents a gross rate of £7 8s. 0d. per cent on the Industrial assurance fund.

The English Life Table No. 11, Males, has been used for the valuation of all assurances. The net rate of interest assumed in the valuation was 2½ per cent. Net premiums have been valued, calculated on the valuation basis, and every policy has been treated as a liability. The whole of the difference between the value of the future office premiums and the value of the future net premiums has been reserved for future expenses and profits.

The Additional reserve now stands at £21,500,000. This reserve is held in respect of revivals, options and general contingencies for which provision is not otherwise made and as a stabilising fund to facilitate the declaration of equitable bonuses.

The result of the valuation is as follows:—

Industrial assurance fund, subject to transfers out of surplus on 31st December, 1964 ...	£589,883,605
Net liability under Industrial assurance policies... ..	£538,766,556
Additional reserve	21,500,000
<hr/>	
Total net liability	560,266,556
<hr/>	
Surplus, including £1,900,305 brought forward from last year	£29,617,049
<hr/>	

I recommend that £25,962,727 be allocated to participating policies. As in the case of the Ordinary branch, I am of the opinion that part of the surplus would again be more equitably distributed by way of final bonuses varying with the duration of the policies rather than as a normal reversionary bonus, that the rates should be increased and that the years of issue to which they apply should be extended to include the year 1963. I, therefore, recommend that the following bonuses should be declared:—

- (A) A final bonus on policies issued in 1963 or earlier which become claims by death or maturity between 1st April, 1965 and 31st March, 1966 inclusive, at the same rates as those for the Ordinary branch as shown on page 29.
- (B) A reversionary bonus at the rate of 2.4 per cent of the sum assured.

GENERAL BRANCH

In respect of fire, sickness, accident, motor vehicle and miscellaneous contracts (excluding permanent sickness and other long term contracts), the provision for unexpired risks is 40 per cent of the premium income for the year.

Permanent sickness contracts with the right of renewal issued in the United Kingdom have been valued by a gross premium method with an allowance for future expenses, assuming 80 per cent of the Manchester Unity 1893/97 (A.H.J.) sickness experience and the A1949/52 Ultimate table of mortality with interest at 3 per cent. Permanent sickness contracts with the right of renewal issued in Canada, some of which are attached to life policies, have been valued by a net premium method, assuming the Canadian 1952 Inter-Company (period 2 benefit 5) sickness experience increased by 25 per cent for waiver of premium only benefits and by 75 per cent for monthly income benefits combined with waiver of premium benefits and the Commissioners 1941 Standard Ordinary table of mortality with interest at 2½ per cent.

VALUATION REPORT (CONTINUED)

GENERAL BRANCH (CONTINUED)

To many of the policies issued in the life branches there are attached additional benefits payable in the event of accident or disability, the liability for which is borne by the General branch. Because these and certain other insurances carry the right of renewal, a further provision of **£185,000** is, in my opinion, required in addition to the 40 per cent of the premium income for the current year.

In respect of long term fire and miscellaneous contracts, the provision for unexpired risks is 80 per cent of the unearned premiums.

The marine and aviation fund of **£1,165,414** is, in my opinion, a sufficient provision for the liabilities pending under the accounts.

The sinking fund policies have been valued by a gross premium method with an allowance for future expenses. The rate of interest assumed was 3 per cent or the rate of interest employed in the calculation of the premiums, if less than 3 per cent. The policies in force provide for the payment of capital sums amounting to **£2,535,777** at the end of fixed terms of years, and produce an annual premium income of **£16,407**.

The equivalents in sterling of provisions in other currencies have been calculated at the rates of exchange ruling on 31st December, 1964.

The result of the valuation is as follows:—

Insurance fund, subject to transfers out of surplus, on 31st December, 1964	... ..	£18,973,627
Provision for fire, sickness and accident, motor vehicle and miscellaneous insurances	... .. £11,345,448	
Provision for marine and aviation insurance	... .. 1,165,414	
Provision for sinking fund insurance	... .. 1,688,291	
Additional reserve fund	... .. 3,950,000	
		18,149,153
Net surplus for the year	... ..	£824,474

I am, Gentlemen,

Your obedient Servant,

F. M. REDINGTON,

Chief Actuary.

18th March, 1965.

P00020071

THE PRUDENTIAL ASSURANCE COMPANY LIMITED

HOLBORN BARS, LONDON E.C.1

P00020072

1357-030